

## Message Text

LIMITED OFFICIAL USE

PAGE 01 FREETO 00647 041415Z

41

ACTION AF-06

INFO OCT-01 ISO-00 SS-15 SP-02 L-03 EB-07 NSC-05 CIAE-00

INR-07 NSAE-00 TRSE-00 OMB-01 /047 W

----- 124013

P 041305Z MAR 76

FM AMEMBASSY FREETOWN

TO SECSTATE WASHDC PRIORITY 2730

LIMITED OFFICIAL USE FREETOWN 0647

E.O. 11652: N/A

TAGS: EFIN SL US

SUBJECT: PRESIDENT STEVENS' LETTER TO MCNAMARA

REF: FREETOWN 0627

FOLLOWING IS THE TEXT OF LETTER DATED FEBRUARY 28, BUT  
PROBABLY NOT SENT UNTIL MARCH 2 BY DIPLOMATIC BAG, FROM  
PRESIDENT STEVENS TO ROBERT MCNAMARA.

"DEAR MR. MCNAMARA,

ECONOMIC AND FINANCIAL PROBLEMS FACING SIERRA LEONE

1. I SHOULD LIKE TO ADDRESS YOU ON A MATTER WHICH  
HAS CAUSED ME GREAT CONCERN DURING THE PAST FEW MONTHS.  
IT RELATES TO SIERRA LEONE'S ECONOMIC AND FINANCIAL  
PROBLEMS. I AM SURE THAT, BY NOW, YOU MUST BE AWARE OF THE  
DIFFICULTIES WHICH SIERRA LEONE HAS EXPERIENCED IN MEETING  
PAYMENT OBLIGATIONS TO THW WORLD BANK GROUP, OBLIGATIONS  
WHICH HAVE BECOME DUE IN THE LAST FEW MONTHS. THE REASON  
FOR THIS HAS BEEN THE SERIOUS FINANCIAL PROBLEMS WHICH  
SIERRA LEONE HAS ENCOUNTERED IN THE RECENT PAST.

2. THIS LETTER IS INTENDED BOTH TO REASSURE  
YOU OF MY GOVERNMENT'S EARNEST DESIRE TO PURSUE  
SOUND FINANCIAL POLICIES, AND TO APPRISE YOU OF  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 FREETO 00647 041415Z

THE REMEDIAL MEASURES WHICH THE GOVERNMENT INTENDS

TO TAKE TO CORRECT THE ADVERSE TRENDS IN THE  
FINANCIAL AFFAIRS OF THE COUNTRY.

3. SIERRA LEONE'S ECONOMIC AND FINANCIAL  
PERFORMANCE HAS DETERIORATED MARKEDLY SINCE THE  
SECOND HALF OF 1974. SEVERAL MISSIONS FROM THE  
WORLD BANK HAVE VISITED SIERRA LEONE WITH THE PURPOSE  
OF IDENTIFYING AND ANALYSING CURRENT ECONOMIC PROBLEMS  
AND THEIR CAUSES. I AM SURE THAT THE REMEDIAL MEASURES  
WHICH THEY HAVE RECOMMENDED HAVE BEEN COMMUNICATED  
TO YOU.

4. THE SHARP RISE IN THE PRICES OF IMPORTS  
SINCE EARLY 1974, COMBINED WITH A GENERAL DECLINE IN  
THE PRICES OF SIERRA LEONE'S MAIN EXPORTS AND THE  
CLOSURE OF THE MAJOR IRON ORE MINES, HAVE RESULTED  
IN A DETERIORATION OF THE BALANCE OF PAYMENTS AND  
A SIGNIFICANT DECLINE IN SIERRA LEONE'S FOREIGN  
EXCHANGE RESERVES.

MY GOVERNMENT HAS BEEN COMPELLED TO RESORT TO  
SUBSTANTIALLY INCREASED LOCAL AND EXTERNAL BORROWING,  
MUCH OF IT UNDER CONTRACTOR FINANCE AND SUPPLIER'S  
CREDIT ARRANGEMENTS, IN ORDER TO PROVIDE ESSENTIAL  
DEVELOPMENTAL REQUIREMENTS. CONSEQUENTLY, SIERRA  
LEONE'S DEBT REPAYMENT OBLIGATIONS HAVE GROWN TO A  
LEVEL WHERE HER CAPACITY TO MEET DEBT SERVICE  
COMMITMENTS HAS BEEN CONSIDERABLY STRAINED.

FOR EXAMPLE, TOTAL REPAYMENTS OBLIGATIONS IN  
FINANCIAL YEAR 1976 IS APPROXIMATELY \$36 MILLION  
OF WHICH \$28 MILLION REPRESENTS OBLIGATIONS TO  
EXTERNAL CREDITORS, WHILE THE BALANCE OF \$8 MILLION  
IS DUE TO LOCAL LENDERS. IN ADDITION, SUBSTANTIAL  
ARREARS ON EXTERNAL AND INTERNAL DEBT PAYMENTS  
HAVE ACCUMULATED. AS AT THE END OF JANUARY 1976,  
ARREARS ON EXTERNAL DEBT PAYMENTS ALONE AMOUNTED  
TO OVER LE 10 MILLION.

IN AN ATTEMPT TOCOPE WITH THE CURRENT ECONOMIC  
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 FREETO 00647 041415Z

AND FINANCIAL SITUATION, MY GOVERNMENT HAS DECIDED  
TO TAKE CERTAIN REMEDIAL MEASURES WHICH INCLUDE  
THE FOLLOWING:

(A) THE GOVERNMENT WILL ENDEAVOUR TO CEASE  
ENTERING INTO NEW LOAN AND CREDIT ARRANGEMENTS  
WITH A MATURITY OF LESS THAN TWELVE YEARS.

(B) IN VIEW OF THE ADVERSE IMPACT OF THE RAPID CREDIT EXPANSION IN RECENT MONTHS ON THE COUNTRY'S BALANCE OF PAYMENTS POSITION AND ON THE POLICY OF ACHIEVING DOMESTIC PRICE STABILITY, MY GOVERNMENT INTENDS TO PURSUE A CREDIT PROGRAMME THAT WILL ENSURE A SUBSTANTIAL REDUCTION IN THE AVERAGE ANNUAL INCREASE OF TOTAL DOMESTIC CREDIT.

(C) PUBLIC EXPENDITURE HAVE INCREASED RAPIDLY IN RECENT YEARS, DUE MAINLY TO INCREASING COSTS AND WEAKNESSES IN THE BUDGETING PROCESS AND EXPENDITURE CONTROL PROCEDURES. MY GOVERNMENT HAS COMMENCED APPROPRIATE ACTION TO CORRECT THESE WEAKNESSES AND INTRODUCE EFFECTIVE EXPENDITURE CONTROL MEASURES.

(D) MY GOVERNMENT IS ALSO EXPLORING ALL POSSIBLE WAYS OF IMPROVING EXISTING TAX COLLECTION PROCEDURES, WITH A VIEW TO MAKING THE COLLECTION MACHINERY MORE EFFICIENT AND INCREASING THE LEVEL OF TOTAL REVENUES.

(E) MY GOVERNMENT INTENDS TO RESTRUCTURE ITS DEBT PORTFOLIO. TO THIS END, IT IS CURRENTLY PREPARING PROPOSALS FOR RESCHEDULING ITS DEBT SERVICE PAYMENTS DUE IN THE NEXT SEVERAL YEARS. MY GOVERNMENT WILL SHORTLY BE SUBMITTING PROPOSALS TO THE CREDITORS FOR THEIR CONSIDERATION. THE OBJECTIVE WILL BE TO REDUCE OUR ANNUAL EXTERNAL DEBT SERVICE OBLIGATIONS FROM THE CURRENT LEVEL OF ABOUT EIGHTEEN PERCENT OF TOTAL EXPORT EARNING TO UNDER TWELVE LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 FREETO 00647 041415Z

PERCENT.

5. MY GOVERNMENT APPRECIATES VERY MUCH THE FINANCIAL AND TECHNICAL ASSISTANCE THAT WE HAVE RECEIVED FROM THE WORLD BANK GROUP. AS OUR MAIN SOURCE OF DEVELOPMENT FINANCE, YOUR INSTITUTIONS HAVE MADE AN INVALUABLE CONTRIBUTION TO SIERRA LEONE'S DEVELOPMENT EFFORTS. I AM CONFIDENT THAT, UNDER YOUR ABLE AND ENLIGHTENED LEADERSHIP, THE WORLD BANK GROUP WILL MAKE AN EVEN GREATER CONTRIBUTION TO SIERRA LEONE'S ECONOMIC DEVELOPMENT IN THE FUTURE. WE SHALL CONTINUE TO RELY ON YOUR ACTIVE SUPPORT IN MOBILIZING EXTERNAL RESOURCES TO HELP FINANCE THE IMPLEMENTATION OF PROJECTS THAT FEATURE IN OUR CURRENT FIVE-YEAR DEVELOPMENT PLAN. THESE PROJECTS WILL

INCLUDE THE BUMBUNA HYDRO-ELECTRIC SCHEME, EXPECTED  
TO BE PREPARED UNDER THE PROPOSED INTERIM POWER  
PROJECT.

6. ON OUR PART, I WANT TO REASSURE YOU THAT WE  
WILL ENDEAVOR TO IMPROVE OUR RELATIONS WITH THE WORLD  
BANK GROUP. IN ADDITION TO THE MEASURES I HAVE OUT-  
LINED ABOVE, MY GOVERNMENT WILL TAKE APPROPRAITE  
MEASURES THAT WILL ENSURE THE PROMPT AND TIMELY  
PAYMENT OF OUR DEBT SERVICE OBLIGATIONS ON WORLD BANK  
GROUP LOANS AND CREDITS. RESPECTUFLLY YOURS,"  
SAMUELS

LIMITED OFFICIAL USE

NNN

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** TEXT, ECONOMIC ASSISTANCE, ECONOMIC CONDITIONS, DIPLOMATIC COMMUNICATIONS, GOVERNMENT DEBTS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 04 MAR 1976  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** morefirh  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1976FREETO00647  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** D760082-1202  
**From:** FREETOWN  
**Handling Restrictions:** n/a  
**Image Path:**  
**ISecure:** 1  
**Legacy Key:** link1976/newtext/t19760396/aaaadgoi.tel  
**Line Count:** 181  
**Locator:** TEXT ON-LINE, ON MICROFILM  
**Office:** ACTION AF  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 4  
**Previous Channel Indicators:** n/a  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 76 FREETOWN 627  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** morefirh  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 30 JUN 2004  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <30 JUN 2004 by ShawDG>; APPROVED <08 JUL 2004 by morefirh>  
**Review Markings:**

Margaret P. Grafeld  
Declassified/Released  
US Department of State  
EO Systematic Review  
04 MAY 2006

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** PRESIDENT STEVENS' LETTER TO MCNAMARA  
**TAGS:** EFIN, SL, US, IBRD, (STEVENS, SIAKA P)  
**To:** STATE  
**Type:** TE  
**Markings:** Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006